

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: May 20, 2020 Budget and Finance Committee Meeting

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<p>Item 1 Files 20-0357</p>	<p>Department: Human Services Agency</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize a new contract between the Human Services Agency (HSA) and Homebridge, Inc. for Homebridge to provide contract mode in-home supportive services in the amount of \$142,265,270 for a five-year term from July 1, 2020 through June 30, 2025. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In-Home Supportive Services (IHSS) is a federally-, state-, and locally-funded program administered by each county. IHSS provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. IHSS service hours are provided to clients via two modes of service delivery: (a) the Independent Provider mode or (b) the contract mode for clients who are unable to find and/or supervise their own Independent Providers. Homebridge, which has provided IHSS contract mode services since 1995, was awarded a new contract following a competitive solicitation in November 2019. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual budgeted contract expenditures are \$28.4 million, including a 10 percent contingency. The City’s General Fund makes up 21 percent of the Homebridge contract funding. The City’s General Fund share of IHSS program costs (costs not funded by the federal Medicaid program), including Homebridge contract costs, is determined by the State. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The City’s General Fund share of IHSS program costs (costs not funded by the federal Medicaid program), including Homebridge contract costs, is determined by the State. The counties pay a base amount (Maintenance of Effort) which was initially set by the State in FY 2012-13 and increased annually. The State reduced the counties’ Maintenance of Effort in FY 2019-20, including setting a lower base and reducing annual increases. San Francisco’s Maintenance of Effort will increase by an additional amount to cover the costs of San Francisco’s Minimum Compensation Ordinance. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Amend the proposed resolution to correctly state that the contract not-to-exceed amount is \$142,265,270. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In-Home Supportive Services (IHSS) is a federally-, state-, and locally-funded program administered by each county. IHSS provides funding for eligible low-income seniors (over the age of 65) and disabled persons to receive non-medical personal care and other household assistance in their home. IHSS care allows seniors and disabled persons to remain in their own homes and thereby avoid unnecessary and expensive hospitalization or institutionalization.

Each eligible IHSS client is allocated a specified number of monthly IHSS service hours based on an annual needs assessment conducted by the Human Services Agency (HSA). In San Francisco, IHSS service hours are provided to clients via two modes of service delivery: (a) the Independent Provider mode or (b) the contract mode for clients who are unable to find and/or supervise their own Independent Providers. According to HSA, there are currently approximately 23,055 IHSS clients, 96 percent of whom utilize the Independent Provider mode of service. Three percent of clients receive services through Homebridge which is currently San Francisco's Contract Mode provider. Less than 1 percent use both Independent Provider and Contract Mode.

According to HSA, the Homebridge contract serves a higher need client through the employment of a trained and supervised home care workforce. The Homebridge contract serves IHSS recipients who are unable to hire and supervise their own home care providers due to behavioral and mental health issues that create barriers to service delivery.

Homebridge (previously named In-Home Supportive Services Consortium¹) has provided IHSS contract mode services since the establishment of the San Francisco IHSS Public Authority by the Board of Supervisors in May 1995.² Homebridge has been re-awarded the contract following regular Request for Proposal solicitations.³ In April 2017, the Board of Supervisors retroactively approved an agreement between Homebridge and HSA for Contract Mode IHSS and provider skill development training and support for the period of April 1, 2017, to June 30, 2019 in the amount

¹ <http://homebridge.squarespace.com/news/2015/3/1/ihss-consortium-is-now-homebridge>

² The SF IHSS Public Authority was founded under Administrative Code Chapter 70: "The Board of Supervisors for the City and County of San Francisco (hereinafter, City) by this Chapter establishes a public authority whose powers are derived from and consistent with the provisions of Welfare and Institutions Code Section 12301.6. The name of this public authority shall be the In-Home Supportive Services Public Authority, and shall be referred to in this Chapter as the "Authority." Its purpose is to assure the availability of Independent Providers for the In-Home Supportive Services Program (IHSS) through the establishment of a central registry, and related functions, and to perform any other functions, as may be necessary for the operation of the Authority, or related to the delivery of IHSS in San Francisco, subject to all applicable Federal and State laws and regulations, and to the limitations set forth in this Chapter."

³ Homebridge was awarded contracts for IHSS contract mode services in response to four solicitations: RFP No.398 for FY08/09, RFP No.543 FY12/13, RFP No.679 FY15/16 and RFP No.852 FY 19/20. Each year Homebridge, the incumbent provider, has been the only agency to submit a proposal.

of \$66,972,930 (File 17-0231). Subsequently, in June 2019 the Board approved a first amendment to the agreement to extend the contract term from June 20, 2019 for a total agreement term of April 1, 2017 through June 30, 2020 (File No. 190485).

The contract currently under Board consideration was awarded to Homebridge by the HSA following an RFP issued on November 1, 2019 for Contract Mode services from July 1, 2020 through June 30, 2025.⁴

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new contract between the Human Services Agency (HSA) and Homebridge, Inc. for Homebridge to provide contract mode in-home supportive services in the amount of \$142,265,270 for a five-year term from July 1, 2020 through June 30, 2025.

Services Provided

Contract Mode Services: Homebridge is to provide approximately 450,000 - 475,000 hours of supervised direct services to an estimated 850 clients at any given time. These types of Provider services include domestic services, meal planning, heavy cleaning, grocery shopping, non-medical personal services, accompaniment services, yard hazard abatement, protective supervision, and paramedical services.

Administrative Support and Care Management: Homebridge is to process new recipient referrals and create care schedules for Providers. They are to ensure IHSS services are being delivered to the satisfaction of recipients through regular supervisory visits and an annual survey.

Provider Skill Development and Training: Homebridge is to provide its Contract Mode Providers Basic and ongoing Advanced training. Basic training courses include topics such as emergency preparedness, infection and exposure control, food and medication interaction, food safety and sanitation, home safety, OSHA requirements, CPR and First Aid, personal care and home care standards. Homebridge is also to provide Advanced Provider training consisting of courses that focus on specific areas such as fall prevention, using durable medical equipment, mental illness and substance abuse in recipients, and nutrition. Various courses are offered in English, Spanish, Cantonese and 1 class in Tagalog.

Historically, all IHSS Providers—Independent and Contract Mode-- were trained together under one contract, but this time training for Contract Mode providers is separated and included in the scope of the proposed contract with Homebridge. Records of Provider's training and skills assessments are to be maintained to ensure competency attainment.

⁴ RFP No. 852 110119: Request for Proposals #852 for Personal Care and/or Training and Support (Home Care) For Older Adults and Adults with Disabilities

Performance Monitoring

The contract stipulates monitoring, quality control and reporting on specific contract activities through monthly, quarterly and annual reports. In the FY 2018-19 Annual Report, Homebridge met or made documented improvement on all Service Objectives and Outcome Objectives.

Service Objective 3 and Outcome Objective 1 were notably “In Progress” according to the most recent annual report. Service Objective 3 noted that Homebridge was just shy of meeting its guarantee to “provide services to new recipients within the HSA-required 5-business day period or 24- hour emergency period, as specified by HSA worker.” A 4-5% response time improvement was made from the previous year. Progress was also noted on Outcome Objective 1 which aims to achieve 95 percent recipient satisfaction with IHSS services, as tracked in the annual recipient survey. All responses to the ten survey questions for FY 2018-19 received 85% satisfied or higher, but none reached the 95% threshold.⁵

FISCAL IMPACT

Table 1 below summarizes the sources and uses of the proposed contract spending.

Table 1. Sources and Uses of Funds for Proposed Homebridge Contract

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Sources						
City General Fund	\$5,431,947	\$5,431,947	\$5,431,947	\$5,431,947	\$5,431,947	\$27,159,735
State Grants	\$5,949,276	\$5,949,276	\$5,949,276	\$5,949,276	\$5,949,276	\$29,746,380
Federal Grants	\$14,485,191	\$14,485,191	\$14,485,191	\$14,485,191	\$14,485,191	\$72,425,955
Subtotal	\$25,866,413	\$25,866,413	\$25,866,413	\$25,866,413	\$25,866,413	\$129,332,065
Contingency (10%)	\$2,586,641	\$2,586,641	\$2,586,641	\$2,586,641	\$2,586,641	\$12,933,205
Total Sources	\$28,453,054	\$28,453,054	\$28,453,054	\$28,453,054	\$28,453,054	\$142,265,270
Uses						
Salaries/Fringe Benefits ^a	\$20,956,771	\$20,956,771	\$20,956,771	\$20,956,771	\$20,956,771	\$104,783,855
Operating Expenses ^b	\$2,277,173	\$2,277,173	\$2,277,173	\$2,277,173	\$2,277,173	\$11,385,865
Subtotal	\$23,233,944	\$23,233,944	\$23,233,944	\$23,233,944	\$23,233,944	\$116,169,720
Indirect Costs (10%)	\$2,323,394	\$2,323,394	\$2,323,394	\$2,323,394	\$2,323,394	\$11,616,970
Heavy Cleaning	\$309,075	\$309,075	\$309,075	\$309,075	\$309,075	\$1,545,375
Subtotal	\$25,866,413	\$25,866,413	\$25,866,413	\$25,866,413	\$25,866,413	\$129,332,065
Contingency (10%)	\$2,586,641	\$2,586,641	\$2,586,641	\$2,586,641	\$2,586,641	\$12,933,205
Total Uses	\$28,453,054	\$28,453,054	\$28,453,054	\$28,453,054	\$28,453,054	\$142,265,270

Source: Appendix A and B to proposed Homebridge

^a Salaries and fringe benefits are for 305 in-home service providers and 60 program staff.

^b Operating expenses include rent, utilities, supplies, information technology, training, and other expenses.

The proposed contract between HSA and Homebridge provides for fewer annual service hours than in the prior contract. According to Human Services Agency Budget Director Emily Gibbs, because contract services cost more than direct IHSS provider services due to added

⁵ HomeBridge IHSS Annual Report FY July 2018- June 2019.

administrative charges, HSA has more narrowly targeted contract services to individuals who most need these services, reducing total contract service hours.

POLICY CONSIDERATION

The City's General Fund makes up \$27.2 million or 21 percent of the Homebridge contract's funding of \$129 million, shown in Table 1 above. The City's General Fund share of IHSS program costs (costs not funded by the federal Medicaid program), including Homebridge contract costs, is determined by the State.⁶ The counties pay a base amount (Maintenance of Effort) which was initially set by the State in FY 2012-13 and increased annually. The State reduced the counties' Maintenance of Effort in FY 2019-20, including setting a lower base and reducing annual increases. San Francisco's Maintenance of Effort will increase by an additional amount to cover the costs of San Francisco's Minimum Compensation Ordinance.

RECOMMENDATION

Amend the proposed resolution to correctly state that the contract not-to-exceed amount is \$142,265,270.

⁶ The State determines the State and counties' share of costs not funded by the federal Medicaid program. Prior to FY 2012-13, the counties paid 35 percent of IHSS program costs and 30 percent of IHSS administrative costs not paid by Medicaid. Beginning in FY 2012-13, the State changed the counties' share of IHSS costs to Maintenance of Effort, which set counties' cost at a base amount (FY 2011-12), escalating by approximately 7 percent per year. The impact of Maintenance of Effort was to increase the total amount of IHSS costs paid by the counties.

<p>Item 4 Files 20-0465</p>	<p>Department: Technology</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize a three year and three month agreement with Zones, LLC, an authorized reseller of Microsoft products, for a total not to exceed amount of \$40 million. The term of the agreement runs from June 1, 2020 to August 31, 2023. The City’s current enterprise agreement for Microsoft products is with PCMG, Inc., and expires on May 31, 2020. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Microsoft authorizes companies to resell its products. In March 2020, the Office of Contract Administration determined Zones, LLC, provided the City the lowest bid for an enterprise agreement for licenses to Microsoft products. Zones is qualified vendor under a competitive solicitation process completed by Riverside County in 2019 that yielded a list of qualified Microsoft resellers with standard terms, pricing, and fees. Because the product pricing schedules were standardized in the Riverside County solicitation process, the cost difference among the qualified resellers is their mark-up on Microsoft products. • The licensed products under the proposed agreement include Office 365 applications (email, Word, Excel, Teams, etc.), Windows 10, cloud services, and server products. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Except for the Municipal Transportation Agency, all City departments would rely on this agreement for its Microsoft licenses. Departments are planning to spend \$32 million on Microsoft products through August 2023. The agreement’s budget allows for 15 percent contingency to account for potential growth in the City’s need for Microsoft licenses. If the entire contingency amount is used, \$36.8 million would be spent. The total contract not-to-exceed amount of \$40 million provides for options for City departments to purchase enhanced cyber security features, subject to Board of Supervisors appropriation approval in the departments’ annual budgets. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to the Department of Technology’s Strategic Sourcing Manager, if City departments have insufficient budgets to meet the contract’s anticipated minimum expenditure of \$32 million, the City may terminate the agreement without penalty. Alternatively, upon each annual anniversary of the contract, the City can evaluate its Microsoft needs, and negotiate with Zones/Microsoft to decrease without penalty the number of licenses going forward. The agreement already affords the City flexibility to decrease the number of licenses for Office products; the only current restriction is a decrease to the number of email licenses. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 21.16 allows the Purchaser to utilize the competitive procurement process of any other public agency.

BACKGROUND

Procurement Process

In August 2019, Riverside County initiated a competitive solicitation requesting quotes from entities authorized by Microsoft to resell licenses to Microsoft products.¹ The solicitation requested quotes for an “enterprise agreement” or an agreement that may be used by all Riverside County departments and any other California government entities. The purpose of the solicitation was to make available a qualified list of Microsoft resellers in California with standard terms, pricing, and fees and then allow governments to choose their own Microsoft reseller through their own procurement process. The Riverside County solicitation yielded a list of ten Microsoft resellers: (1) Insight Direct USA, (2) CDWG, (3) Crayon Software Experts LLC, (4) Dell Marketing, LP, (5) GovConnection, Inc., (6) PCMG, Inc., (7) SHI International Corp., (8) Softchoice Corporation, (9) Software ONE, and (10) Zones, LLC. All of the Riverside qualified resellers provide products at Microsoft’s pricing level “D”, which is an eight to twelve percent discount below standard prices, depending on the product.

In March 2020, San Francisco completed a Request for Bids from Microsoft resellers qualified under the Riverside County solicitation to provide the City with quotes for an enterprise agreement for Microsoft licenses.² Bids were evaluated based on cost. The Office of Contract Administration determined Zones, LLC provided the lowest cost bid and issued a notice of intent to award to that company on March 26, 2020. Because the product pricing schedules were standardized in the Riverside County solicitation process, the cost difference among the qualified resellers is their mark-up on Microsoft products.

The City’s current enterprise agreement for Microsoft products is with PCMG, Inc., and expires on May 31, 2020.

¹ Riverside County Request for Quotes: #RIVCO-2020-RFQ-0000048

² San Francisco City and County Request for Bids 0000003624

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a three year and three month (total 39 months) agreement with Zones, LLC, an authorized reseller of Microsoft products, for a total not to exceed amount of \$40 million. The term of the agreement runs from June 1, 2020 to August 31, 2023. The proposed resolution seeks retroactive approval for services starting on June 1, 2020.

Products Provided

The proposed agreement will allow 26 City Departments to license the Microsoft products shown in Table 1 below.

Table 1: Products Made Available by Proposed Agreement

Microsoft Category	Microsoft Products
Enterprise Online Services	Basic Office 365 Enterprise and Windows 10 Enterprise
Enterprise Products	Office 365 Pro Plus, Enhanced Windows 10 Enterprise, Core CAL Suite, Enterprise CAL Suite
Additional Products	Enhanced Office 365 Enterprise, Project Online, Visio Online, Dynamics 365, Azure, SQL Server, Windows Server
Server and Tools Products	SharePoint Server, SQL Server, BizTalk Server, Visual Studio, Core Infrastructure Suites

Source: Appendix B to Proposed Agreement

In addition to the products noted in Table 1, the Zones, LLC is responsible for reporting on and providing a dashboard of the City’s license use, providing the City with up-to-date documentation of licensing and software agreements, and providing Cyber and Privacy Insurance coverage as well as Technology Errors and Omissions Liability coverage.

Performance and Use Monitoring

The Department of Technology (DT) will administer the proposed agreement and approve all purchases from the agreement, consistent with Administrative Code Section 22A.4, which requires the Chief Information Officer to “ensure coordinated and non-duplicative acquisition of information and communication technologies for maximum cost effectiveness and use.” DT states that it will monitor and verify each City Department’s use of Microsoft licenses purchased under the proposed agreement and will work with Departments to transfer or cancel unused or inactive software licenses. Departments monitor and manage their own server licenses. Under the proposed agreement, the Chief Information Officer directed her Finance division to reconcile annual invoices against her assessment of the City’s actual use of services.

FISCAL IMPACT

Table 2 below summarizes proposed contract spending for the 26 City Departments under the proposed agreement. According Mr. Hao Xie, DT Strategic Sourcing Manager, the same 26 City Departments will spend approximately \$10.1 million on Microsoft services in FY 2019-20.

Table 2: Spending by Department

Department	Year 1	Year 2	Year 3	Total
	FY 2020-21	FY 2021-22	FY 2022-23 + 3 months	
Technology	5,675,470	5,675,470	7,094,403	18,445,343
Public Health	1,047,535	1,047,535	1,309,414	3,404,483
Human Services	333,384	333,384	414,115	1,080,884
Public Works	220,207	220,207	275,258	715,672
Police	197,146	197,146	246,429	640,720
City Attorney	167,007	167,007	202,119	536,132
Sheriff	74,835	74,835	93,541	243,210
Adult Probation	45,537	45,537	56,920	147,993
Planning	44,945	44,945	56,179	146,069
Fire	43,163	43,163	53,961	140,287
Recreation & Parks	31,050	31,050	38,813	100,913
Retirement System	24,458	24,458	29,088	78,003
Human Resources	23,585	23,585	29,481	76,651
District Attorney	18,735	18,735	23,418	60,888
Controller	17,044	17,044	21,305	55,393
Children, Youth & Families	13,960	13,960	17,450	45,370
Juvenile Probation	12,507	12,507	15,634	40,648
Environment	9,259	9,259	11,574	30,091
Treasurer-Tax Collector	5,721	5,721	7,151	18,593
Arts Commission	1,026	1,026	1,283	3,335
War Memorial	678	678	847	2,202
Subtotal, General Fund Depts.	8,007,248	8,007,248	9,998,383	26,012,879
Public Utilities Commission	1,141,745	1,141,745	1,427,175	3,710,664
Airport	614,418	614,418	757,710	1,986,545
Building Inspection	48,334	48,334	60,417	157,086
Port	34,841	34,841	43,550	113,232
Community Investment & Infra.	6,165	6,165	7,705	20,034
Subtotal, Enterprise Depts.	1,845,502	1,845,502	2,296,557	5,987,561
Subtotal, Planned Estimated Spending	9,852,750	9,852,750	12,294,940	32,000,440
True Up Contingency (15%)	1,477,913	1,477,913	1,844,241	4,800,066
Total	11,330,663	11,330,663	14,139,181	36,800,506

Source: Appendix B of Proposed Agreement

As shown above, City departments are planning to spend \$32 million on Microsoft products through August 2023. DT has the highest spending because it manages all the O365 licenses for all departments except for the Municipal Transportation Agency, the Public Utilities Commission

and the City Attorney. The O365 licenses include Email, Word, Excel, PowerPoint, Teams, Sharepoint, PowerBI and other common office applications used by all City employees. Departments must incorporate these costs into their budgets each year. Actual spending will be determined by City departments' budgets as approved by the Board of Supervisors.

Under the proposed agreement, the City will spend at least the planned amount of \$32 million to maintain the existing licenses that are currently used by all City departments except for the Municipal Transportation Agency. Each year has a 15 percent "true-up" contingency, to account for growth in Departments' need for licenses of Microsoft products. True-ups occur in the last quarter of every fiscal year.

The Municipal Transportation Agency, is not included in the proposed agreement and maintains a separate contract with an authorized Microsoft reseller.

Options

In addition to the planned spending of \$36.8 million noted in Table 2 above, the Request for Quote requested pricing for optional products with enhanced cyber security features for the City's consideration. The total contract not-to-exceed amount of \$40 million provides for options for City departments to purchase enhanced cyber security features, subject to Board of Supervisors appropriation approval in the departments' annual budgets.

POLICY CONSIDERATION

The Budget Outlook Update (May Joint Report), prepared by the Budget and Legislative Analyst's Office, Mayor's Budget Office, and Controller, project a FY 2019-20 shortfall in the General Fund budget \$246.2 million due to the impacts of the COVID-19 public health emergency. The annual shortfall is expected to increase to \$753.9 million in FY 2020-21, \$735.4 million in FY 2021-22, over \$1 billion annually in the following two fiscal years.

According to Mr. Xie, if City departments have insufficient budgets to meet the contract's anticipated minimum expenditure of \$32 million, the City may terminate the agreement without penalty. Alternatively, upon each annual anniversary of the contract, the City can evaluate its Microsoft needs, and negotiate with Zones/Microsoft to decrease without penalty the number of licenses going forward. The agreement already affords the City flexibility to decrease the number of licenses for Office products; the only current restriction is a decrease to the number of email licenses. However, Microsoft has provided assurances this too can be addressed if there is a dramatic decline in the City's requirement for these products. The City will benefit from its current discount level "D" so long as it has 6,000 or more users. Participating in the Riverside solicitation grants another 2 percent discount on basic Microsoft products.

RECOMMENDATION

Approve the proposed resolution.